

Message Text

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PAGE 01 DOHA 01510 281131Z
ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-05 TRSE-00 ACDA-12 PA-01 PRS-01
/114 W

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R 281050Z DEC 77
FM AMEMBASSY DOHA
TO SECSTATE WASHDC 3250
INFO AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

C O N F I D E N T I A L DOHA 1510

E.O. 11652: GDS
TAGS: ENRG, OPEC, QA
SUBJECT: EXPRESSION OF APPRECIATION RE OPEC DECISION

REF: STATE 306595

1. ON DECEMBER 28, I CALLED ON ACTING SECRETARY OF PETROLEUM OF THE MINISTRY OF FINANCE AND PETROLEUM ABDULLAH SALLAT, MAKING ALL THE POINTS CONTAINED IN PARAGRAPH ONE OF REFTEL. I HAD DELAYED APPROACHING THE GOQ IN HOPES THAT MINISTER OF FINANCE AND PETROLEUM SHEIKH ABDUL AZIZ BIN KHALIFA AL THANI WOULD RETURN FROM HIS STAY IN PARIS TO WHICH HE REPAIRED AFTER THE OPEC CONFERENCE IN CARACAS. BUT AFTER EMBASSY LEARNED THAT ABDUL AZIZ WOULD BE OUT OF THE COUNTRY FOR SEVERAL MORE DAYS, SALLAT WAS THE LOGICAL OFFICIAL TO WHOM USG REPRESENTATIONS SHOULD BE MADE.

2. SALLAT SAID HE COULD MAKE NO UNDERTAKINGS RE PRESENT OPEC PRICE FREEZE LASTING THROUGH ALL OF 1978. THIS WAS A POLITICAL DECISION THAT WOULD BE MADE BY AMIR KHALIFA IN CONSULTATION WITH
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PAGE 02 DOHA 01510 281131Z

OTHER OPEC LEADERS. HOWEVER, SALLAT STATED THAT WORLD INFLATION AND DEPRECIATION OF THE UNITED STATES DOLLAR HAD COMBINED TO REDUCE QATAR'S INCOME AND THUS THE ABILITY OF QATAR TO CARRY OUT ITS DEVELOPMENT PROGRAM. AS FAR AS QATAR WAS CONCERNED, THE CONTROLLING FACTOR IN SUPPORTING THE OIL PRICE FREEZE WAS NOT ECONOMIC, BUT POLITICAL. IN SALLAT'S VIEW, THERE WAS ECONOMIC JUSTIFICATION FOR RAISING OIL PRICES BUT POLITICALLY PRESIDENT

CARTER'S PEACEMAKING EFFORTS IN THE MIDDLE EAST WOULD PROBABLY HAVE SUFFERED IF PRICES HAD BEEN RAISED. THE GOQ REGARDS PRESIDENT CARTER AS AN HONEST MAN HONESTLY SEEKING A MIDDLE EAST PEACE AND QATAR WANTED TO ASSURE THE PRESIDENT EVERY CHANCE OF SUCCESS.

3. COMMENT: LOOKING AHEAD INTO NEXT YEAR, ALL THE LOCAL SIGNS ARE THAT QATAR MAY BE DIFFICULT TO PERSUADE THAT OIL PRICES SHOULD BE FIXED FOR THE ENTIRE YEAR. THIS IS NOT TO SAY THAT IF SAUDI ARABIA TAKES A VERY STRONG LEAD QATAR MAY NOT BE INDUCED TO FOLLOW. BUT, THE HARD ECONOMIC FACTS ARE THAT THE GOVERNMENT OF QATAR REALLY IS IN A FINVNCIAL SQUEEZE, LEADING THE GOQ TO BORROW 350 MILLION DOLLARS TO MEET EXPENSES TOWARDS THE END OF THE LAST FISCAL YEAR AND TO DELAY FOR AT LEAST SEVERAL WEEKS PAYING BILLS WE THEY CAME DUE. CURRENT FINANCIAL STRINGENCIES ARE HIGHLIGHTED IN THE LATEST BUDGET (SEE SEPTELS) WHICH ENVISIONS EXPENDITURES 18 PERCENT LOWER THAN THOSE OF LAST YEAR IN ACTUAL MONEY. IF INFLATION IS TAKEN INTO ACCOUNT, THIS YEAR'S BUDGET HAS BEEN REDUCED BY ABOUT 40 PERCENT OVER THAT OF LAST YEAR'S. THIS SLOWDOWN IN GOVERNMENT EXPENDITURES AND CONSEQUENTLY IN THE LOCAL ECONOMY ARE LIKELY TO BE REFLECTED IN INCREASED PRESSURES FOR HIGHER OIL PRICES IN THE SECOND HALF OF 1978. END COMMENT.

KILLGORE

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